

**TOP SECRET**

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6 May 1958

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# CENTRAL INTELLIGENCE BULLETIN



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## CENTRAL INTELLIGENCE BULLETIN

6 May 1958

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## DAILY BRIEF

## I. THE COMMUNIST BLOC

*yes*

Communist China: Peiping's recent condemnation of the Yugoslav party program is the strongest reaction to come from any bloc capital to date. Describing the Yugoslav "road to socialism" as a "surrender to capitalism" and the Yugoslavs themselves as similar to "reactionaries of all countries," the Chinese Communist newspaper, People's Daily, states the "1948 Cominform resolution was correct" and calls for "open and uncompromising" criticism of the Yugoslav program. Peiping's statement is intended to leave no doubt among satellite as well as Yugoslav leaders that the Chinese Communists will support Moscow's efforts to check any threat to bloc unity. (Page 1)

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## II. ASIA-AFRICA

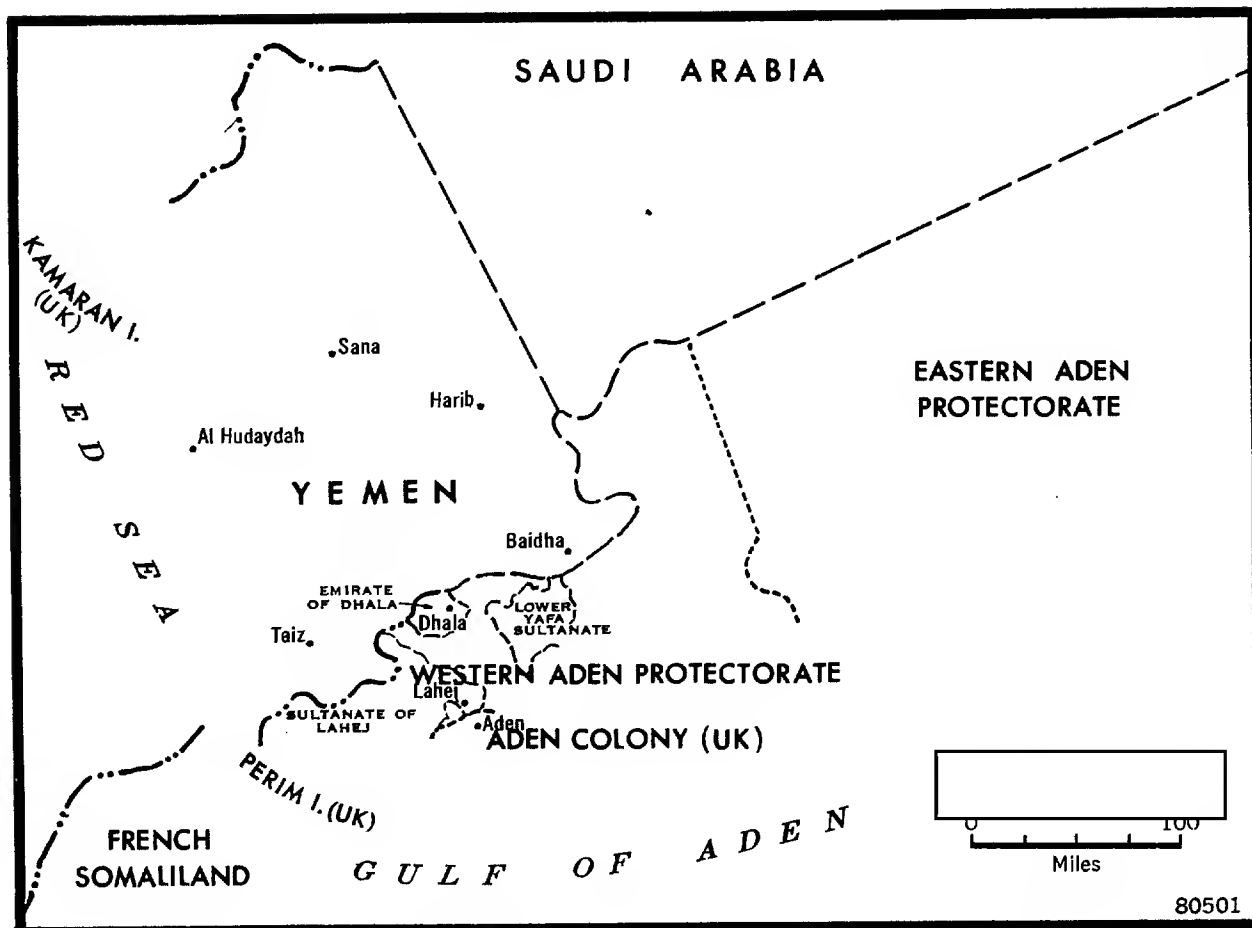
*yes*

Indonesia: Dissident forces under Lt. Col. Sumual, commander in North Celebes, have made a successful landing at Djailolo on Halmahera Island, and have taken the airfield there. An army spokesman in Djakarta claims the North Celebes dissidents have "asked for negotiations."

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no

\*Lebanon: Army commander General Shihab's refusal to accept President Chamoun's offer to step down and back the general for the presidency makes it very likely that Chamoun will soon declare his intention to seek a second term, possibly as early as 7 May. The public announcement of Chamoun's intentions will probably set off attempts by the President's UAR-backed opponents to renew disorders.

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yes

UAR-US: Cairo officials are considering asking the United States to supply the UAR with substantial quantities of wheat, corn, and other agricultural and food products from American surplus stocks. The quantities envisaged, valued at over \$60,000,000, are in line with the normal import requirements of the Egyptian sector of the UAR. This may be one of the first UAR probing efforts to determine the American political attitude toward Egypt following the Suez Canal settlement.

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no

Aden-Yemen: One hundred and fifty security forces under British direction have raided an installation in the Aden Protectorate sultanate of Lahej, which is reported to have been a center for Yemeni-supported arms distribution in the area. Seizure of a "considerable quantity" of arms and ammunition and the arrest of several arms-running

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agents, including an individual with a recently issued Yemeni passport, affords further evidence of a well-developed Yemeni apparatus for promoting subversion in Aden Protectorate and Colony.

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*No*

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*No*

Greece: Khrushchev, apparently trying to discredit pro-Western political elements in Greece, has warned that if Greece permits the establishment of missile bases on its territory, it will expose itself to nuclear retaliation, and he reiterated Soviet espousal of the Greek Cypriot cause. These widely publicized remarks, in response to a Greek press query before the 11 May Greek national election, may result in increasing popular concern with two highly sensitive issues.

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*yes*

India: Increasing awareness among the Indian people of the demoralized condition of Nehru's Congress party in numerous parts of the country is probably largely responsible for the party leaders' reluctance to let Nehru vacate the premiership even for a brief period. At the moment, the Congress party seems about to lose control of Orissa State. Five or more defections from the government benches have apparently left the Congress party without a majority. A few more defections could set the stage for an opposition coalition to attempt a takeover. New Delhi may try to prevent this by dismissing the chief minister and taking over administration of the state under President's Rule. The Congress party is also badly disorganized in Punjab, Uttar Pradesh, Madhya Pradesh, and Andhra states.

(Map)

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## III. THE WEST

*yes*

Argentina: President Frondizi's first official act has been to suspend granting any new import permits pending an audit of Argentina's economic position. In asking Vice President Nixon for American assistance, Frondizi mentioned prompt US government credits as a means of encouraging a large volume of private investment. The visiting Soviet deputy minister of foreign affairs is [redacted] urging Argentine officials to follow the examples of India and Egypt, which reached agreements with the USSR to build heavy industries on easy credit terms. [redacted]

[redacted]

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## I. THE COMMUNIST BLOC

Peiping Issues Communist Bloc's Sharpest Rebuke of Yugoslav Party Program

The Chinese Communists are attacking the Yugoslav party program in terms which make it clear there is no sympathy for Tito in the Chinese Communist leadership. The Peiping People's Daily of 4 May compares the program's "out-and-out revisionism" with other heresies in the history of the international Communist movement, accuses the Yugoslav leaders of speaking "like reactionaries of all countries," and charges that Belgrade is trying to "split" the bloc. The Chinese allege that Belgrade has spurned all efforts at reconciliation despite the bloc's policy of "waiting patiently" for the Yugoslav leaders to "return" to orthodoxy.

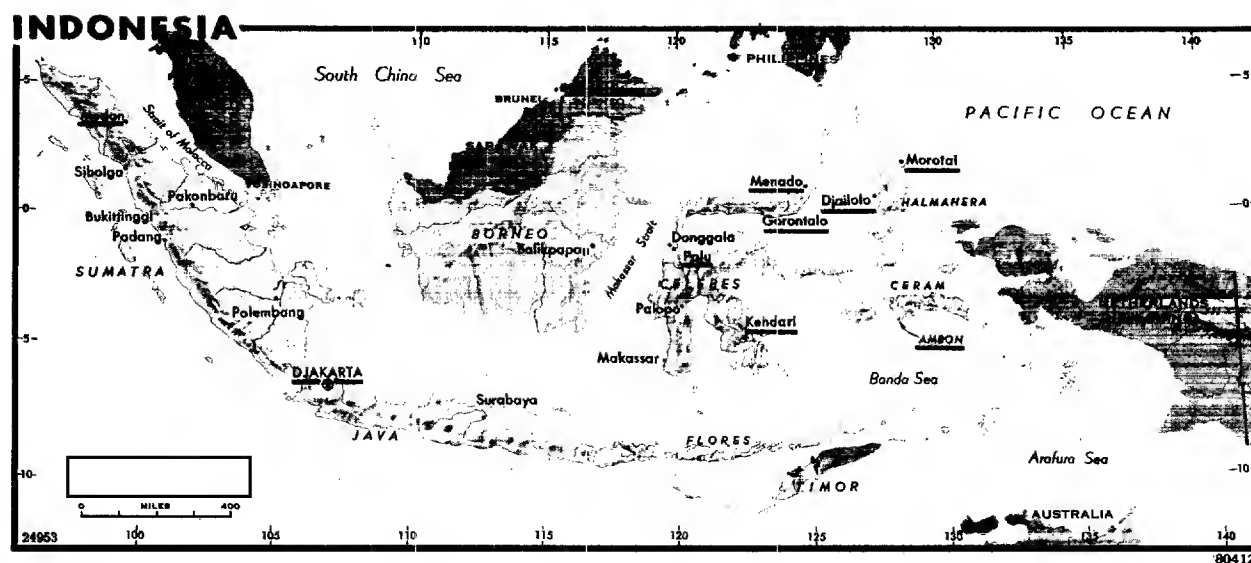
The editorial supports previous indications that Peiping is anxious to put an end to misinterpretations of the Chinese Communist attitude toward the satellites. For more than a year now, Peiping's commentaries on the leading role of the USSR and the need for bloc unity and its definitions of orthodoxy have generally accorded with Moscow's prescriptions. In an effort to prevent satellite writers from using unique internal Chinese policies for polemical purposes against Moscow, Peiping portrays Mao's theoretical innovations as a continuation rather than refutation of Soviet doctrine.

Peiping's blistering article appeared after the publication of the more conciliatory Hungarian line which had been prepared before the end of the Yugoslav party congress. At that time Moscow probably still hoped to effect a change in the Yugoslav program by a "reasonable" approach. The Soviet leaders would probably prefer to avoid becoming directly involved in polemics and are therefore willing to have Peiping push this attack.

The statement, coming on the eve of the eighth congress of the Chinese Communist party which opened on 5 May, sets the tone for "hard-line" declarations on both foreign and domestic issues.

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## II. ASIA-AFRICA

### Situation in Indonesia

Dissident troops under the personal command of Lt. Col. Sumual on 5 May made an unopposed landing and secured the airfield at Djailolo on Halmahera Island. Some 500 men were to have been used in the operation, which was staged from Morotai Island to the north. Sumual was planning to leave 200 men behind to garrison Morotai, which he recently took in an amphibious operation. The dissidents are planning to reoccupy the Palu area in central Celebes, which is being used as a staging area for further government operations against the dissidents.

Meanwhile, Lt. Col. Rukmito, the government commander in the Palu area, is said to be in Djakarta urgently requesting air support. Army headquarters reportedly informed him that aircraft now supporting operations in Sumatra will be shifted to East Indonesia, probably by next week. [REDACTED]

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[REDACTED] dissident air attacks are having a serious effect on the Indonesian Army. The airfields at Kendari and Ambon have been rendered nonoperational by air attacks.

Central government operational plans for North Celebes include landings in the Gorontalo area, supported by air drops and air cover from two fighters, two bombers, and one PBY, [REDACTED]

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[REDACTED] Up to 5,400 troops will be used in the final drive on Menado. Meanwhile, an army spokesman in Djakarta has announced that the dissidents in North Celebes have asked for negotiations. His claim is thus far unsubstantiated.

Menado radio has announced that the dissident capital has been transferred to Menado, and that Col. Warrouw, former military attaché in Peiping, has been named chief administrator of the revolutionary regime.

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### Egypt Seeking US Surplus Agricultural Commodities

Egyptian officials, who earlier this year had put out feelers for American surplus agricultural commodities, now are considering asking for substantial amounts valued at over \$60,000,000, according to the under secretary of the Ministry of Supply. This approach reflects a continuing shortage of foreign exchange. It may also be a means of probing American policy toward Egypt.

Although the quantities involved are relatively large, they are within normal Egyptian import requirements. Egypt has already contracted for about 900,000 tons of wheat for the current season--30 June 1957 - 1 July 1958--but total commitments for the 1958/59 season have not yet been made. However, Cairo will import at least 250,000 tons from the USSR during the 1958/59 season. Egypt's hopes of increasing wheat imports from Syria have been frustrated by the sharp shortfall in the Syrian crop resulting from drought and locust infestation.

The Egyptian request is for 500,000 tons of wheat, 100,000 tons of corn, 65,000 tons of sugar, 60,000 tons of tallow, and unstated amounts of tobacco, cottonseed oil, and frozen meats and chicken. All of these items are in relatively short supply in Egypt and are presently under government price regulations. From time to time during the past year, shortages became acute and speculation had to be halted by forceful government action.

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### The Indian Political Situation

In recent months, the Indian people have become increasingly aware that Prime Minister Nehru's once-monolithic Congress party is suffering a serious decline. Party factionalism is virtually universal--being critical in at least 6 of India's 13 states--and party members are opposing party candidates in national parliamentary and state assembly elections. The Congress has lost control of New Delhi and Bombay city governments and rules that of Calcutta by a bare majority. In Andhra State, it has lost six out of eight by-elections since March 1957. Leading Congress party members are being defeated in "prestige" elections, into which the party is throwing considerable effort.

For these reasons, the national leaders of the Congress party are understandably reluctant to permit Nehru to hand over the reins of government even for a brief period. The party has noted that "fissiparous tendencies (and) the ugly monsters of regionalism, communalism, casteism, and social and political obscurantism are rearing up their heads," and has refused to do without Nehru's "dynamic leadership and mature wisdom."

Nehru has not been able to halt the party's decline, however, and it seems in imminent danger of losing control of Orissa State in addition to Kerala. At least five defections from government benches there have apparently left the Congress party without a majority in the 140-man state assembly. Further withdrawal of support by the five-man Jharkand party or the seven independents could enable the opposition to oust the Congress and form a coalition government. A maneuver by the Communists to gain respectability by supporting the Congress would be equally embarrassing to Nehru, who has spoken strongly against the President's Rule, or direct administration from New Delhi, seems a likely prospect in Orissa.

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## III. THE WEST

Argentine President Seeks Foreign Capital

In a conversation with Vice President Nixon on 2 May, President Frondizi expressed hope for American assistance in solving Argentina's serious economic problems. He mentioned especially government credits which would help encourage a large volume of private investment. Frondizi specified deficiencies in electric power, transportation, and petroleum--points which he highlighted in his inaugural address on 1 May calling for austerity and new investment to avoid national bankruptcy.

Frondizi's first official act was to suspend issuance of new import permits pending an audit of the country's outstanding commitments. This probably precedes tightening restrictions on imports other than essentials such as fuel, which cost \$317,500,000 in 1957. Frondizi told Nixon that private capital could aid oil development through contracts --though not concessions--providing for reasonable profits.

Since Peron's ouster in 1955 there has been no large-scale foreign investment to help expand or modernize productive facilities or to counter the balance-of-payments deficit, which amounted to some \$300,000,000 for 1957. The Frondizi regime faces an external debt of about \$700,000,000, and as of 8 April 1958 gold and foreign exchange holdings had fallen to \$288,000,000.

Visiting Soviet Deputy Minister of Foreign Affairs Kuznetsov had not been able to obtain an appointment with Frondizi before the inauguration, but has reportedly emphasized to other Argentine officials that Argentina should spurn foreign capital from the West and follow the examples of India and Egypt, which have reached agreements with the USSR to build steel mills and other heavy industries on easy credit terms. Kuznetsov, however, did not make any specific offer. There were earlier reports [redacted] that the USSR had offered Argentina a loan of \$300,000,000.

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